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September 18, 2007

Ms. Mary Levine
General Counsel/Dir. Of Legal Affairs
MSHDA
735 East Michigan Avenue
P.O. Box 30044
Lansing, MI 48912

RE: QAP comments

Dear Ms. Levine:

Our firm performs general contracting services for a number of LIHTC developers in the State of Michigan, both for and non-profit. We are concerned with Section VIII.A.2 of the 2008-09 QAP. Specifically, our concerns relate to inclusion of Prevailing Wage Requirements and the other wage and benefit requirements listed in this section. These requirements will greatly reduce the available dollars for actual construction of all upcoming projects.

Surprisingly I have not heard or read many comments regarding this section. From our experience we know that including Prevailing Wages in a project increases the construction cost from between 10% to 15%. These higher costs will directly relate to the number of units built, i.e., there will be a decrease in units built and renovated in 2008-09 of 5% - 7.5% (assuming construction costs account for 50% of total development costs) from the expected number. I have to believe that most readers of the proposed QAP skimmed over this section or have not had extensive experience with Prevailing Wages and the administration involved with their implementation.

We have completed numerous projects in the governmental sector where Prevailing Wages, DBE Goals, etc. were incorporated into the projects. We are keenly aware of the administration costs associated with these programs. I am in no way against paying Prevailing Wages or the hiring of union labor. In fact, over the last 3 years our LIHTC projects have subcontracted, on average, 60% of our work to union subcontractors. Everyone would endorse the goals of this section of bringing a better life to workers building these projects. But everyone must be aware that there will be a significant drop off in units completed once these requirements are in force.

It is important to realize that it is not just the cost of the wages and benefits that effect the final cost. The administrative burden for the general contractor and all subcontractors and suppliers increases greatly under these types of programs. Completing a large portion of work in the Cities of Detroit and Pontiac provides us with a unique background in understanding the cost and complexities associated with these goals. We have developed programs to instruct and assist subcontractors and suppliers in meeting the requirements of these programs. It takes an inordinate amount of time for our subcontractors to handle the paperwork and on our part and on the part of the controlling governmental entity to police this paperwork. We know these cost because we have bid single projects as both Prevailing Wage and non-Prevailing Wage. The increased cost has always come back in the 10% - 15% range no matter the number of union subcontractors included in the project. We've determined a large portion of the cost comes from the administration burden of these programs and not just the wage and benefit requirements.

Reading the responses to the QAP confirms what everyone knows; this is a highly competitive program with much more need than dollars. We are constantly trying to find ways to stretch our budgets to build as many units for the available dollars as possible. With the need for affordable housing increasing yearly it seems like an inopportune time to increase the cost of construction by including the requirements of section VIII.A.2.

Very truly yours,

O'BRIEN CONSTRUCTION CO., INC.

Timothy W. O'Brien

Timothy W. O'Brien, P.E.
President